

Canadian Celanese Limited

*Annual Report
For the Year Ended
December 31
1940*

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MCGILL UNIVERSITY

Directors

SIR WILLIAM ALEXANDER

W. McC. CAMERON	A. SCHWARTZ
DR. CAMILLE DREYFUS	R. H. SPERLING
DR. HENRY DREYFUS	P. A. THOMSON
C. W. PALMER	G. H. WHIGHAM

Finance and Executive Committee

P. A. THOMSON (<i>Chairman</i>)	DR. CAMILLE DREYFUS
G. H. WHIGHAM	W. McC. CAMERON

Officers

G. H. WHIGHAM, *Chairman of Board of Directors*

DR. CAMILLE DREYFUS, *President*

W. McC. CAMERON, *Vice-President*

H. BLANCKE, *Secretary and Treasurer*

C. W. PALMER
Vice-President

R. H. SPERLING
Factory Manager

C. HESSEY-WHITE
Sales Manager

General Offices

1401 McGill College Avenue
Montreal, P.Q.

Factory

Drummondville
P.Q.

Auditors

MESSRS. P. S. ROSS & SONS
Montreal, P.Q.

DIRECTORS' REPORT

FEBRUARY 21, 1941

TO THE SHAREHOLDERS OF

CANADIAN CELANESE LIMITED:

Presented herewith are the Balance Sheet and Earned Surplus Account as at December 31, 1940, the Statement of Income and Expenditure for the year 1940 and the Statement of Earned Surplus available for distribution as a participating dividend on the 7% Cumulative Participating Preferred Stock, prepared and certified to by Messrs. P. S. Ross & Sons.

Dominion, Provincial and Municipal taxes amounted to \$1,018,431.57 in 1940; an increase of \$466,706.36 over 1939. Due to this and a strike at your Company's Drummondville plant for six weeks, with consequent loss of production and earnings, Net Profit was \$1,341,429.08 for 1940; (\$535,166.34 less than 1939.) After provision for regular and participating dividends, this equals \$2.21 per Common share.

Capital expenditures during the year for required increased facilities amounted to approximately \$1,100,000.00.

Dividends paid during the year amounted to \$1,310,777.10, of which \$494,777.10 was paid to Common shareholders, equal to \$1.90 per share.

For the Board of Directors,

CAMILLE DREYFUS,

President.

AUDITORS' REPORT

February 8, 1941

CANADIAN CELANESE LIMITED,
MONTREAL.

We have examined the books of account and financial records of Canadian Celanese Limited for the year ended December 31, 1940 and have obtained all the information and explanations we have required.

We certify that, in our opinion, the attached Balance Sheet and relative Statement of Income and Expenditure and Earned Surplus Account present a true and correct statement of the financial position of the Company as at December 31, 1940 and the result from operations for the year ended that date, according to the best of our information and the explanations given to us and as shown by the books of the Company.

There is attached a statement showing the amount of Earned Surplus as at December 31, 1940 available for distribution as a Participating Dividend on the Preferred Stock; we certify that, in our opinion, this statement is correct.

(Signed) P. S. ROSS & SONS,
Chartered Accountants.

BALANCE SHEET AS

ASSETS

CURRENT:

Cash on Hand and in Banks	\$1,721,774.38	
Government Bonds and Other Securities, at cost (approximate market value \$2,143,700.00)	1,849,249.27	
Trade Debtors, less Reserve for Doubtful Accounts	704,039.79	
Other Accounts Receivable and Accrued Interest	15,265.88	
Inventories of Raw Materials, Supplies, Work in Process and Finished Goods, as determined and certified by the Management and valued at cost	1,491,357.76	
		\$5,781,687.08

DEFERRED AND PREPAID CHARGES:

Unexpired Insurance and Taxes	19,445.62	
Expenses applicable to future operations	16,793.85	
Cost of Income Funding Rights purchased in anticipation of Sinking Fund requirements	55,953.24	
		92,192.71
SECURITIES HELD FOR INVESTMENT, valued at cost		195,574.39

FIXED:

Real Estate, Plant, Machinery and Equipment, at cost	12,807,333.73	
Patents and Trade Marks	995,903.45	

SPECIAL FUND re INCOME FUNDING RIGHTS, AS PER CONTRA	367,200.00	
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ASSETS HELD FOR SPECIAL FUND—

Cash in Bank	12.50	
Government Bonds at cost (approximate market value \$229,600.00)	217,687.50	
Income Funding Rights, 5,980 Rights valued at \$25.00 per Right	149,500.00	
		<u>\$367,200.00</u>

\$20,239,891.36

APPROVED ON BEHALF OF THE BOARD:

(Signed) P. A. THOMSON.....Director.

(Signed) A. SCHWARTZ.....Director.

T D E C E M B E R 31, 1940

LIABILITIES

CURRENT:	
Accounts Payable and Accrued Liabilities	\$ 408,307.76
Provision for Dominion, Provincial and Municipal Taxes	826,312.79
Interest on Income Funding Rights	72,535.00
	\$1,307,155.55
RESERVES:	
For Depreciation of Buildings, Machinery and Equipment	3,602,559.38
For Amortization of Patents	353,885.40
Special Reserve	550,000.00
	4,506,444.78
CAPITAL STOCK:	
Authorized—	
150,000 Shares 7% Cumulative Participating Preferred, Par Value \$100.00 per share	
300,000 Shares Common, without Nominal or Par Value	
Issued—	
100,000 Shares Preferred	10,000,000.00
260,409 Shares Common	1,169,045.00
	11,169,045.00
Income Funding Rights having the attributes set forth in Special By-Law "A":	
Issued under the Scheme of Arrangement of November 7, 1934	
Less: Purchased by the Company and held in Special Fund, as per contra	90,000 Rights 5,980
Held in anticipation of Sinking Fund requirements	2,684
Delivered to Sinking Fund	8,801
	17,465 Rights
	72,535 Rights
(Rights purchased by the Company cannot be re-issued)	
BALANCE OF SINKING FUND re INCOME FUNDING RIGHTS set aside in accordance with the provisions of Clause 3 of Special By-Law "A"	
	23.00
SPECIAL FUND re INCOME FUNDING RIGHTS, as per contra, set aside in accordance with the provisions of Clause 5 of Special By-Law "A"	
	367,200.00
SURPLUS ACCOUNTS:	
Distributable Surplus, set aside in 1936 in accordance with the provisions of Sub-Section 7 of Section 12 of The Companies Act, 1934	
	62,500.00
Earned Surplus, per Statement attached	2,827,523.03
	2,890,023.03
	\$20,239,891.36

This is the Balance Sheet referred to in our attached Report of even date.

(Signed) P. S. ROSS & SONS,
Chartered Accountants.

MONTREAL, February 8, 1941.

STATEMENT OF INCOME AND EXPENDITURE

for the year ended December 31, 1940

NET OPERATING PROFIT before taking up the items below		\$2,742,276.44
ADD:		
Income from Investments	\$110,006.91	
Profit on Income Funding Rights purchased for Special Fund and for Sinking Fund	8,987.09	
Profit on Government Bonds sold	8,550.00	
		<u>127,544.00</u>
		2,869,820.44
DEDUCT:		
Remuneration of Executive Officers and Directors required to be shown separately under Section 113 (2) of The Companies Act	126,454.70	
Fees of Directors not included above	5,960.00	
Legal Fees	7,250.00	
Depreciation of Plant, Machinery and Equipment	434,933.10	
Amortization of Patents	66,393.56	
Reserve for Income Taxes and Excess Profits Tax.	765,000.00	
		<u>1,405,991.36</u>
NET PROFIT FOR THE YEAR		1,463,829.08
DEDUCT:		
Amount appropriated for Interest for 1940 and Sinking Fund re Income Funding Rights, in accordance with the Provisions of Clause 3 of Special By-Law "A"		<u>122,400.00</u>
BALANCE OF NET PROFIT for the year transferred to Earned Surplus Account		<u>\$1,341,429.08</u>

EARNED SURPLUS ACCOUNT

as at December 31, 1940

BALANCE AT CREDIT, January 1, 1940	\$2,844,134.36
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DEDUCT:

Prior Year Adjustment—

Additional Income Tax due to retroactive legislation	47,263.31
	2,796,871.05

ADD:

Balance of Net Profit for the Year, transferred from Statement of Income and Expenditure..	1,341,429.08
	4,138,300.13

DEDUCT:

Dividends Paid:

On Preferred Shares—

At rate of 7% per annum for 1940	\$700,000.00
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Participating Dividend of \$1.16 per share, in respect of the year 1939	116,000.00
	816,000.00

On Common Shares, at rate of \$1.90 per share.	494,777.10
	1,310,777.10

BALANCE AT CREDIT December 31, 1940

(\$60,178.36 of which is subject to distribution as a Participating Dividend, when declared)	\$2,827,523.03

Statement showing the amount of Earned Surplus as at December 31, 1940, available for distribution as a Participating Dividend on the 7% Cumulative Participating Preferred Stock.

AMOUNT OF EARNED SURPLUS as at December 31, 1939, which was subject to payment of a Participating Dividend of 10% when declared	\$1,167,617.81
DEDUCT:	
Earned Surplus on which a Participating Dividend of \$116,000.00 was paid on April 1, 1940	1,160,000.00
	7,617.81
ADD:	
Balance of Net Profit for the year 1940, per attached Statement of Income and Expenditure	1,341,429.08
	1,349,046.89
DEDUCT:	
Additional Income Tax due to retroactive legislation, charged to Earned Surplus Account in 1940	\$ 47,263.31
Dividends (other than Participating Dividends) paid on Preferred Shares in 1940	700,000.00
	747,263.31
AMOUNT OF EARNED SURPLUS as at December 31, 1940, which is subject to payment of a Participating Dividend of 10% (equivalent to 60 cents per share) when declared	\$ 601,783.58

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